

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**April 2, 2009**

**TO:** Honorable Steve Ogden, Chair, Senate Committee on Finance

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: SB402** by Eltife (Relating to the authority of the voters of a municipality or a county to adopt a one-quarter cent sales and use tax in the municipality or county to provide property tax relief.), **As Introduced**

<p><b>No significant fiscal implication to the State is anticipated.</b></p>
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The bill would add new Chapter 326 to the Tax Code, to allow municipalities and counties to adopt a sales and use tax to provide property tax relief.

The bill would allow municipalities and counties, with voter approval, to adopt a sales and use tax at a rate of one-fourth of 1 percent for property tax relief. The bill would establish the election procedures to adopt or abolish this sales tax, and would exclude this rate from the calculation of the 2 percent cap on local sales and use tax rates. The formula for calculating the rollback tax rate of the municipality or county would be changed, by substituting 1.05 for 1.08.

The bill would amend Chapters 26 and 31 of the Tax Code to make conforming changes relating to the calculation of the effective property tax rate and rollback rate, and what information must be provided on the tax bill.

Municipalities and counties would have the ability to adopt and later abolish the sales and use tax at any time after September 1, 2009. The bill would allow a combined local sales tax rate in excess of two percent. Since the number of municipalities and counties that would adopt a sales and use tax for property tax relief and the timing of such actions is unknown, the fiscal impact of the bill cannot be estimated.

The bill would take effect September 1, 2009. The provisions related to calculating the effective tax rate and rollback rate and the information provided on the tax bill would take effect January 1, 2010.

**Local Government Impact**

According to the Comptroller of Public Accounts, the fiscal impact on units of local government cannot be estimated as the number of municipalities and counties that would adopt a sales and use tax for property tax relief and the timing of such actions is unknown.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, MN, SD, SJS, DB